Djibril Chimère Diaw

Software Developer, Cybersecurity Analyst.

Temporal Doctrine of Dynamic Capital Allocation

A formalization derived from a real case observed and validated by facts

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Copyright

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About The Author

Djibril Chimère Diaw

Software Developer, Cybersecurity Analyst.

Dedication

To

my mother Marème Fall

my father Amadou Chimère Diaw

my wife Isabelle Diaw

my children

Fatou-Chimère Diaw, Ahmadou-Chimère Diaw,

Marième-Chimère Diaw, Aïssata-Chimère Diaw .

my grandparents

Fatou Methiour Ndiaye & Waly Sega Fall

Fatou Faye & Souleymane Chimère Diaw

Teachers

To those who shall come into the world a century after me, beginning in the year two thousand and seventy-two.

To all mothers,
to those who made our coming into the world possible through the gift of themselves,
to those who, even today, carry, give birth to, nourish, protect, and raise life,
to those who, tomorrow, will continue to open the path of human existence.

To all women who, in silence or in light, have risked their bodies, their strength, and sometimes their lives so that humanity may endure.
To their quiet courage, their daily resilience, and their founding love.

May this work stand as an act of recognition,
a tribute passed on from generation to generation,
and a word of gratitude addressed to those without whom nothing would have been, nothing is, and nothing will be.

CONTENTS

Copyright....2
About The Author....3
Dedication....5
ENGLISH....8
Temporal Doctrine of Dynamic Capital Allocation....8
Editorial Preface....8
General Introduction....9
I. Conceptual Framework: Time as a Value Factor....10
II. Presentation of the Observed Real Case....11
III. Formalization of the Doctrine....12
IV. Empirical Validation....13
Transversal Conclusion....14

ENGLISH

Temporal Doctrine of Dynamic Capital Allocation

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Editorial Preface

Contemporary financial markets are too often analyzed through static categories: value versus growth, short term versus long term, speculation versus investment. These oppositions, inherited from a partially outdated theoretical framework, struggle to account for the reality of an environment dominated by volatility, systemic correlation, and the acceleration of information flows.

This text proposes a consciously methodological break. It is neither an ideological manifesto nor a mere market chronicle, but the progressive formalization of a time-based allocation doctrine. This doctrine does not stem from an abstract a priori reasoning: it emerges from a real case, observed under market conditions, confronted with data, and then empirically validated.

The editorial ambition is twofold:
– to offer a rigorous conceptual framework to an intuition often diffuse among practitioners,
– to transform this intuition into a transferable, reproducible, and critiquable tool.

General Introduction

In any investment decision, three variables are traditionally mobilized: expected return, assumed risk, and holding horizon. Yet a fourth variable, more discreet but decisive, remains largely under-theorized: the time necessary to realize the return.

The case studied here highlights a simple yet profound reality: two assets can offer an identical final return (for example, a doubling of price) while differing radically in the time required to achieve this goal. In a universe where capital can be redeployed, this time possesses its own economic value.

The central hypothesis is as follows:
For equivalent final return, the asset that frees capital the fastest is rationally superior, as it maximizes the optional value of capital.

This hypothesis, long implicit in certain trading practices, is here elevated to the status of a structuring principle of a dynamic allocation doctrine.

I. Conceptual Framework: Time as a Value Factor

In classical financial theory, time primarily appears through discounting (net present value) or opportunity cost. However, these approaches assume capital is immobilized until maturity. They become insufficient once capital is mobile, i.e., capable of being reallocated after an intermediate gain is realized.

We introduce here the notion of **speed of value creation**, defined as the ratio between the return obtained and the time required to obtain it. With constant final return, this speed is strictly inverse to time. It therefore becomes an autonomous selection criterion.

II. Presentation of the Observed Real Case

The case analyzed occurs in the context of a strong correction in the crypto-asset market, followed by a marked technical rebound. Several categories of assets are observed simultaneously:

- the underlying asset (Bitcoin),
- a structurally correlated asset (a treasury company heavily exposed to Bitcoin),
- peripheral assets with high volatility (mining companies).

All these assets share directional correlation but exhibit different elasticities to movements of the underlying. During the rebound, some peripheral assets register, in a few sessions, variations equivalent to or greater than those that structural assets take several months to achieve.

This temporal differential constitutes the central empirical fact.

III. Formalization of the Doctrine

From observation, the doctrine can be structured into three levels:

1. **Principle of Temporal Dominance**
   Asset A dominates Asset B in the short term if, for a comparable final return, the time required for A to realize its return is shorter than that of B.
2. **Principle of Rational Rotation**
   The temporal superiority of an asset is transitory. Once the high-convexity phase is consumed, capital must be transferred to more stable assets, better suited to the next cycle phase.
3. **Principle of Cyclical Hierarchy**
   Assets are not inherently good or bad; they are more or less suitable for a given market phase. The doctrine does not rank assets, but moments.

IV. Empirical Validation

The observed facts successively confirm:

- the higher speed of value creation of peripheral assets during the rebound,
- the subsequent stabilization of structural assets,
- the relevance of a strategy using the former as capital accelerators and the latter as value reservoirs.

The concordance between anticipation, observation, and realization constitutes the empirical validation of the doctrine.

Transversal Conclusion

The doctrine presented does not claim to abolish risk or predict markets. It proposes a shift in perspective: moving the center of gravity of investment decision-making from mere return to the **time of return**.

Derived from a real case and tested by facts, this approach offers a unifying framework for reading market behaviors during stress, rebound, and stabilization phases. It allows one to move beyond the sterile opposition between trading and investment by placing them on a temporal continuum.

Ultimately, this doctrine reminds us of a frequently overlooked truth:
In finance, capital is valued not only by what it earns, but by the speed at which it becomes free to earn again.

It is in this temporal freedom, rather than in the exclusive pursuit of maximal return, that the deep rationality of dynamic capital allocation lies.